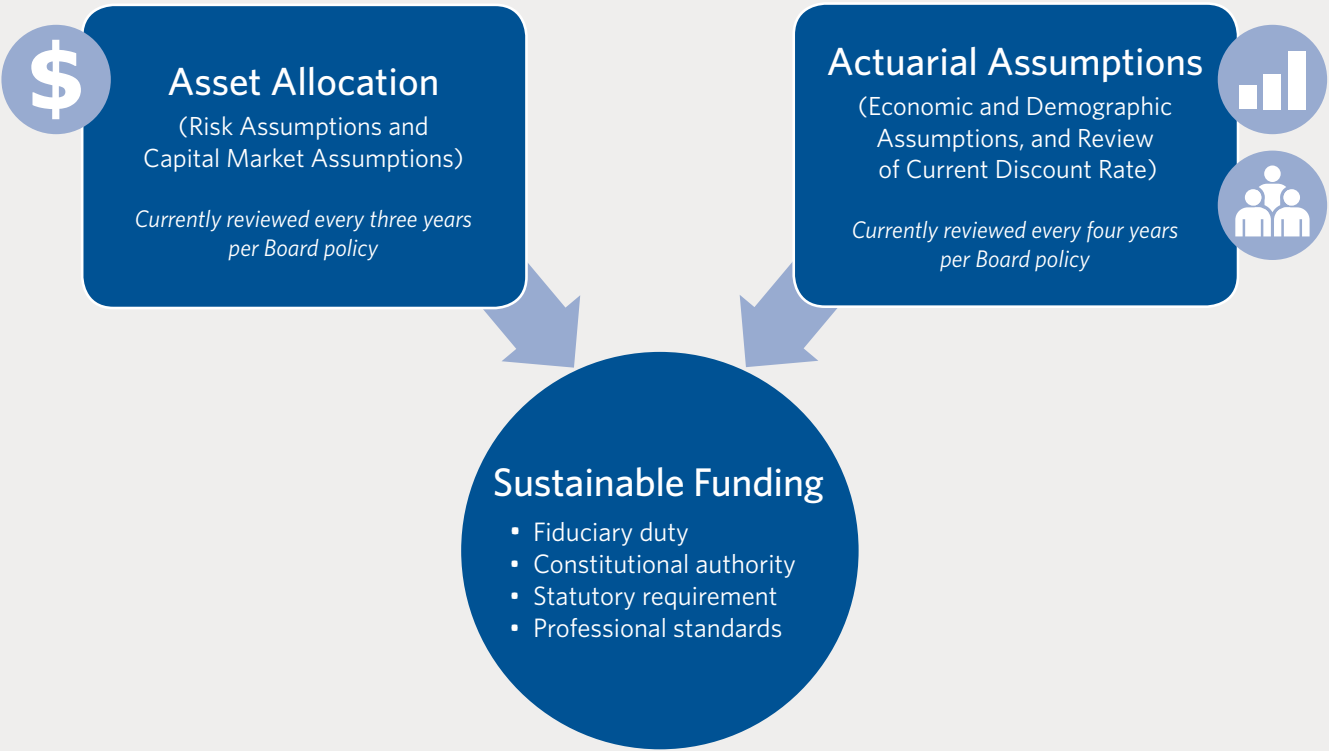


Asset Liability Management (ALM)

The ALM is an integrated review of our assets and liabilities to inform decisions designed to achieve a sound and sustainable fund. It is an innovative and transparent approach to guide the Board in sound decision making.



ALM Review Cycles

Asset Allocation (including expected investment return)

This process includes a review of the current Asset Allocation and the role each asset class plays within the portfolio. It looks at risk tolerances for each asset class and most importantly, provides Capital Market Assumptions (CMA). CMAs reflect the expectations of what the financial markets will deliver over time.

Asset Allocations were reviewed in 2010, 2007 and 2004.

Actuarial Assumptions (including Discount Rate)

Economic Assumptions include the Discount Rate, and wage and price inflation projections; Demographic Assumptions include retirement, employment and mortality rate projections. The Discount Rate is the long term interest rate used to fund future pension benefits.

Economic Assumptions were reviewed in 2012 and 2004.

Demographic Assumptions were reviewed in 2010 and 2004.

Discount Rate

The Discount Rate is always reviewed as part of the Economic Assumption review and after the Asset Allocation review (five times in the last nine years under past review practices).

The Discount Rate was reviewed in:

2012	as part of the Economic Assumption review of 2012	(Discount Rate changed from 7.75 to 7.5%)
2011	after the Asset Allocation review of 2010	
2008	after the Asset Allocation review of 2007	
2005	after the Asset Allocation review of 2004	
2004	as part of the Economic Assumption review of 2004	(Discount Rate changed from 8.25 to 7.75%)

Asset Liability Management (ALM)

November 7, 2013

CalPERS Path to a Sound and Sustainable Fund

Actions to strengthen integrity, will likely increase contributions

As stewards of the System, CalPERS must ensure that the pension fund is sustainable over multiple generations. Our strategic plan calls for us to take an integrated view of our assets and liabilities and to take steps designed to achieve a fully funded plan. (Note: timeline is subject to change.)

Read supporting material at www.calpers.ca.gov/alm

Historical Decisions

Future Reviews and Decisions



*Examples of demographic assumptions include retirement rates, employment trends, disability rates, salary rate projections, and mortality rate projections.